YEAR TO DATE TREND REPORT AS OF MAY 1981

	SALES % CHANGE			COST % CHANGE				AVERAGE RECEIPT PER COVER	
	TOTAL	FOOD	BEV.	TOTAL	FOOD	BEV.	PAYROLL	MAY	% CHG
TOTAL	6.6	5.6	11.3	4.2	3.5	6.2	5.7	$ 7.76	9.9
AFFILIATION:									
Single Unit	8.3	7.3	12.0	8.2	6.6	10.0	5.8	$10.00	8.2
Multi-Unit:									
Company-Owned	6.9	6.2	12.9	4.5	3.3	21.4	9.4	2.83	1.3
Franchised	5.6	4.8	10.7	2.1	2.0	3.0	5.4	7.19	11.3
AREA:									
Northeast	3.7	2.6	22.3	3.3	0.2	16.0	4.3	$ 7.93	10.7
Southeast	1.8	-0.1	12.7	-3.1	-4.1	4.5	-2.2	6.56	18.2
North Central	7.8	7.1	10.5	5.0	5.0	5.3	4.6	6.80	5.6
South Central	5.9	5.9	6.0	12.2	13.2	7.0	10.1	7.45	0.9
West	10.0	9.7	11.0	6.4	6.5	6.0	8.8	9.20	9.2
SALES PER MONTH:									
Under $37528.	9.6	9.9	6.8	5.0	5.1	2.5	5.5	$ 3.90	9.5
$37528. TO $59457.	7.0	6.0	24.7	6.1	5.5	21.0	7.5	4.71	8.4
$59457. TO $102439.	2.6	1.9	6.2	2.0	1.9	2.4	1.5	6.57	2.4
Over $102439.	7.6	6.5	12.2	4.5	3.5	6.6	6.7	9.07	12.5
NUMBER OF SEATS:									
Under 110	15.4	15.0	17.4	13.5	13.4	13.9	16.5	$ 4.28	10.3
110 TO 160	3.1	2.7	14.9	2.1	1.9	13.9	3.1	3.89	0.6
160 TO 270	9.0	8.9	9.6	5.7	4.9	4.9	8.8	8.68	9.1
Over 270	3.1	1.0	11.6	1.0	0.2	5.8	1.3	8.66	13.5
TYPE:									
Cafeteria	6.7	5.4	31.3	1.1	1.1	*	7.2	$ 1.63	4.5
Coffee Shop	1.8	1.7	34.0	1.4	1.3	41.2	4.2	2.69	-4.6
Full Menu:									
Tableservice	6.1	4.8	11.1	3.9	2.7	6.6	3.4	$ 8.55	12.1
Limited Menu:									
Tableservice	8.0	7.3	11.0	4.2	4.2	3.5	9.7	7.91	8.2
No Tableservice	24.7	26.0	12.1	23.4	23.6	20.4	29.2	2.47	8.4
Other	22.3	19.1	47.0	11.8	8.8	48.7	8.1	5.85	7.8

* INSUFFICIENT RESPONSE

FOOD AND BEVERAGE SALES REPORT MAY 1981 COMPARED WITH MAY 1980

	COMPOSITION OF SALES				TOTAL COST PER DOLLAR OF SALES			
	MAY 81		MAY 80		MAY 81		MAY 80	
	FOOD	BEV.	FOOD	BEV.	FOOD	BEV.	FOOD	BEV.
TOTAL	83.3	16.7	83.8	16.2	$ 0.37	$ 0.25	$ 0.38	$ 0.26
AFFILIATION:								
Single Unit	81.8	18.2	82.2	17.8	$ 0.35	$ 0.23	$ 0.37	$ 0.25
Multi-Unit:								
Company-Owned	75.3	*	75.6	*	0.32	*	0.34	*
Franchised	84.9	15.1	85.3	14.7	0.39	0.26	0.39	0.27
AREA:								
Northeast	93.0	7.0	93.9	6.1	$ 0.31	$ 0.24	$ 0.36	$ 0.26
Southeast	83.6	16.4	85.0	15.0	0.37	0.25	0.38	0.31
North Central	84.6	15.4	83.9	16.1	0.34	0.25	0.36	0.25
South Central	75.8	24.2	75.7	24.3	0.39	0.22	0.38	0.23
West	79.4	20.6	80.3	19.7	0.43	0.25	0.42	0.26
SALES PER MONTH:								
Under $41184.	95.1	4.9	95.1	4.9	$ 0.37	$ 0.28	$ 0.39	$ 0.24
$41184. TO $64967.	92.7	7.3	93.6	6.4	0.35	0.29	0.36	0.29
$64967. TO $107036.	83.3	16.7	82.6	17.4	0.36	0.25	0.38	0.26
Over $107036.	80.6	19.4	81.4	18.6	0.38	0.24	0.39	0.26
NUMBER OF SEATS:								
Under 107	87.3	12.7	87.3	12.7	$ 0.35	$ 0.23	$ 0.37	$ 0.25
107 TO 160	94.5	5.5	95.3	4.7	0.34	0.27	0.35	0.25
160 TO 288.7	82.8	17.2	83.0	17.0	0.40	0.26	0.41	0.27
Over 288.7	79.0	21.0	80.2	19.8	0.36	0.24	0.37	0.25
TYPE:								
Cafeteria	*	*	*	*	$ *	$ *	$ *	$ *
Coffee Shop	99.7	*	99.8	*	0.34	*	0.34	*
Full Menu:								
Tableservice	78.9	21.1	79.4	20.6	$ 0.36	$ 0.25	$ 0.38	$ 0.26
Limited Menu:								
Tableservice	82.8	17.2	84.4	15.6	0.43	0.24	0.42	0.29
No Tableservice	88.6	*	87.7	*	0.35	*	0.37	*
Other	85.5	*	88.5	*	0.33	*	0.40	*

* INSUFFICIENT RESPONSE

PAYROLL AND EMPLOYEE REPORT MAY 1981 COMPARED WITH MAY 1980

	SALES PER FTE EMP		PAYROLL PER FTE EMP		COVERS PER FTE EMP		TOTAL SALES PER PAYROLL DOLLAR	
	MAY 81	MAY 80	MAY 81	MAY 80	MAY 81	MAY 80	MAY 81	MAY 80
TOTAL	$ 2277.13	$ 2130.38	$ 668.98	$ 627.49	346.1	356.0	$ 3.39	$ 3.37
AFFILIATION:								
Single Unit	$ 2405.67	$ 2199.45	$ 686.33	$ 658.41	366.7	364.6	$ 3.50	$ 3.35
Multi-Unit:								
Company-Owned	2201.39	2038.80	668.30	507.31	762.6	746.2	3.33	4.02
Franchised	2211.25	2101.28	659.92	621.37	339.6	357.9	3.33	3.34
AREA:								
Northeast	$ 1774.78	$ 1673.56	$ 514.62	$ 516.49	392.7	383.1	$ 3.40	$ 3.23
Southeast	2278.35	2483.64	547.50	594.27	350.8	444.5	3.97	3.95
North Central	2121.04	1943.07	627.99	585.31	340.9	330.0	3.35	3.29
South Central	2432.54	2263.32	698.86	633.28	585.0	565.5	3.58	3.63
West	2698.23	2455.94	836.40	750.49	280.1	283.9	3.24	3.29
SALES PER MONTH:								
Under $41184.	$ 1903.82	$ 1586.92	$ 508.14	$ 477.77	519.0	477.1	$ 3.64	$ 3.30
$41184. TO $64967.	1757.76	1627.47	494.32	482.27	441.5	412.0	3.55	3.36
$64967. TO $107036.	2141.21	2003.43	621.20	613.34	342.9	347.6	3.37	3.17
Over $107036.	2480.70	2348.30	740.23	682.31	320.9	339.8	3.35	3.44
NUMBER OF SEATS:								
Under 107	$ 2096.69	$ 1858.78	$ 542.23	$ 453.24	811.2	767.7	$ 3.89	$ 4.09
107 TO 160	1573.56	1418.89	440.63	439.93	413.1	375.0	3.47	3.22
160 TO 288.7	2437.84	2251.07	741.03	676.43	292.8	285.7	3.27	3.31
Over 288.7	2482.83	2421.43	744.14	737.81	306.6	339.3	3.33	3.27
TYPE:								
Cafeteria	$ *	$ *	$ *	$ *	*	*	$ *	$ *
Coffee Shop	1467.17	1369.62	419.93	417.99	*	*	1.46	3.29
Full Menu:								
Tableservice	$ 2475.31	$ 2365.67	$ 712.54	$ 703.26	302.5	321.7	$ 3.43	$ 3.31
Limited Menu:								
Tableservice	2416.89	2169.41	826.90	690.96	302.8	304.7	2.94	3.16
No Tableservice	2149.69	1982.67	537.44	436.86	1033.3	1008.7	4.05	4.53
Other	2667.11	2557.29	769.58	804.88	*	*	3.47	3.18

* INSUFFICIENT RESPONSE

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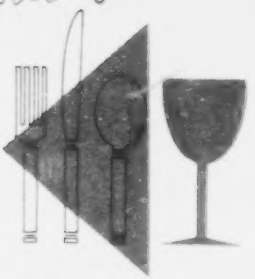
National Trend of Business in the Restaurant Industry



VOLUME I, NUMBER 6 JUNE, 1981

This month's feature article is "Profit Planning - A Systematic Approach to Operational Budgeting" by Robert C. Massey, a consultant in Laventhol & Horwath's Houston office. The article addresses the importance of operational budgeting and the development and implementation of operational budgets.

Our analysis reflects that the June 1981 average receipt per cover was $6.46, a 9.3 percent increase over June 1980. When comparing areas of the country, the average ticket ranged from $3.85 in the South Central region to $10.41 in the West. Total food and beverage sales rose 9.2 percent, with total food and beverage costs rising 7.3 percent over the same month last year. These increased costs were reported mainly by properties in the Northeast and North Central areas while restaurants in the Southeast actually reported lower food and beverage costs in June 1981 when compared with June 1980. A 4.4 percent increase in payroll expenses was evident for the whole sample.

On a year-to-date basis, full-menu restaurants with tableservice posted the highest average receipt per cover at $8.42, with cafeterias reporting the lowest at $1.90. Rising payroll costs were most evident in restaurants with no tableservice, increasing 16.4 percent over the same period in 1980.

Total sales per payroll dollar increased 4.2 percent in June 1981 compared with June 1980, while the number of covers served per employee was fairly stable at 387.6 and 386.1 covers, respectively. The number of covers served per full-time equivalent employee decreased in Western and Southeastern properties while restaurants in the remaining areas of the country reported an increase.

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TREND REPORT JUNE 1981 COMPARED WITH JUNE 1980

	SALES % CHANGE			COST % CHANGE				AVERAGE RECEIPT PER COVER	
	TOTAL	FOOD[1]	BEV.[1]	TOTAL	FOOD[1]	BEV.[1]	PAYROLL	JUN	% CHG
TOTAL	9.2	7.9	15.9	7.3	6.3	14.1	4.4	$ 6.46	9.3
AFFILIATION:									
Single Unit	11.7	10.0	18.8	12.5	12.0	16.1	5.3	$ 9.47	11.4
Multi-Unit:									
Company-Owned	3.9	2.7	*	-2.0	-4.1	*	-12.0	3.06	2.1
Franchised	8.4	7.3	15.5	5.2	4.1	13.6	5.9	5.95	9.0
AREA:									
Northeast	7.9	7.3	20.0	9.2	8.4	28.4	1.9	$ 5.08	5.1
Southeast	5.5	3.9	14.3	-0.7	-1.7	4.0	5.0	6.33	14.9
North Central	14.1	13.0	18.1	10.7	9.9	16.2	8.9	6.41	9.9
South Central	6.3	4.2	12.3	6.1	5.0	11.7	0.9	3.85	6.0
West	8.5	6.9	15.4	7.5	6.1	16.4	3.0	10.41	9.7
SALES PER MONTH:									
Under $28336.	4.5	5.5	-8.0	2.0	2.3	-2.2	7.9	$ 3.64	10.3
$28336. TO $56483.	2.1	0.7	18.0	0.9	-0.1	15.2	-0.6	5.24	6.1
$56483. TO $97527.	8.8	7.7	16.0	11.1	10.0	19.4	8.2	6.21	4.3
Over $97527.	11.8	10.5	16.5	8.0	7.0	13.4	3.8	7.23	10.7
NUMBER OF SEATS:									
Under 100	7.3	6.2	11.7	2.0	0.1	13.9	-4.1	$ 3.50	7.1
100 TO 160	7.3	6.5	19.2	7.8	7.3	17.1	5.3	5.37	7.2
160 TO 304	13.1	12.4	16.7	11.1	9.9	17.7	8.7	8.36	9.9
Over 304	8.2	6.2	16.3	6.1	5.3	11.5	3.7	7.43	9.8
TYPE:									
Cafeteria	*	*	*	*	*	*	*	*	*
Coffee Shop	5.8	5.7	*	5.7	5.5	*	4.5	*	*
Full Menu:									
Tableservice	10.7	9.4	16.0	8.2	7.3	13.3	6.0	$ 7.91	10.1
Limited Menu:									
Tableservice	-0.5	-2.8	18.0	-6.0	-8.3	21.7	-5.9	5.55	5.7
No Tableservice	4.0	2.8	*	-0.4	-2.2	*	-13.2	2.80	4.1
Other	8.0	3.6	*	4.4	1.0	*	15.2	*	*

* INSUFFICIENT RESPONSE

\- NO CHANGE

[1] Since all restaurants did not report data for each line, each line item has been analyzed separately and may therefore not add to totals shown.

YEAR TO DATE TREND REPORT AS OF JUNE 1981

	SALES % CHANGE			COST % CHANGE				AVERAGE RECEIPT PER COVER	
	TOTAL	FOOD[1]	BEV.[1]	TOTAL	FOOD[1]	BEV.[1]	PAYROLL	JUN	% CHG
TOTAL	7.0	5.9	12.4	4.5	3.8	7.7	5.5	$ 7.57	10.1
AFFILIATION:									
Single Unit	9.3	8.1	13.7	9.1	7.7	11.6	6.1	$ 9.83	9.0
Multi-Unit:									
Company-Owned	6.8	6.1	10.8	3.9	2.5	16.4	5.5	2.86	2.4
Franchised	5.7	4.8	11.3	2.1	1.8	4.3	5.1	7.00	11.2
AREA:									
Northeast	3.9	2.9	21.5	3.9	1.6	16.2	3.7	$ 6.79	8.8
Southeast	2.3	0.5	13.0	-2.9	-3.8	4.1	-0.7	6.50	18.0
North Central	8.8	8.0	12.2	5.6	5.3	7.6	5.1	6.92	6.4
South Central	6.7	6.3	7.9	11.6	12.2	8.3	9.4	6.49	2.3
West	10.2	9.7	12.2	6.9	6.7	8.1	8.4	9.35	9.6
SALES PER MONTH:									
Under $34406.	9.8	10.1	5.5	5.3	5.3	4.2	6.4	$ 3.82	10.5
$34406. TO $59223.	6.6	5.6	25.6	5.9	5.1	22.5	6.5	4.74	8.5
$59223. TO $101665.	4.0	3.3	7.6	3.5	3.3	4.4	2.6	6.79	3.0
Over $101665.	7.9	6.6	13.3	4.6	3.5	7.9	6.2	8.84	12.8
NUMBER OF SEATS:									
Under 109	14.3	13.7	18.1	12.4	12.0	15.5	13.5	$ 4.03	10.6
109 TO 160	4.3	3.7	20.6	3.4	3.0	19.0	3.8	4.13	3.0
160 TO 280	9.0	8.9	9.9	5.7	4.8	5.6	8.6	8.59	9.0
Over 280	4.3	2.1	12.9	2.0	1.2	7.4	1.7	8.56	13.5
TYPE:									
Cafeteria	14.5	13.9	31.3	12.8	12.8	*	11.0	$ 1.90	12.2
Coffee Shop	2.2	2.1	39.4	1.8	1.7	54.7	4.0	2.69	-4.6
Full Menu:									
Tableservice	6.9	5.5	12.2	4.5	3.4	7.8	3.9	$ 8.42	12.1
Limited Menu:									
Tableservice	8.0	7.2	11.6	4.1	4.0	4.7	9.2	7.71	8.3
No Tableservice	18.1	19.4	10.4	17.0	17.1	15.9	16.4	2.61	6.7
Other	20.1	16.5	48.4	10.9	7.8	48.2	10.6	6.00	9.0

* INSUFFICIENT RESPONSE

1 Since all restaurants did not report data for each line, each line item has been analyzed separately and may therefore not add to totals shown.

FOOD AND BEVERAGE SALES REPORT JUNE 1981 COMPARED WITH JUNE 180

	COMPOSITION OF SALES				TOTAL COST PER DOLLAR OF SALES			
	JUN 81		JUN 80		JUN 81		JUN 80	
	FOOD	BEV.	FOOD	BEV.	FOOD	BEV.	FOOD	BEV.
TOTAL	82.3	17.7	83.3	16.7	$ 0.39	$ 0.26	$ 0.40	$ 0.27
AFFILIATION:								
Single Unit	79.2	20.8	80.4	19.6	$ 0.41	$ 0.25	$ 0.40	$ 0.26
Multi-Unit:								
Company-Owned	73.8	*	74.7	*	0.32	*	0.34	*
Franchised	85.2	14.8	86.1	13.9	0.38	0.29	0.40	0.29
AREA:								
Northeast	94.6	5.4	95.2	4.8	$ 0.35	$ 0.29	$ 0.35	$ 0.27
Southeast	83.2	16.8	84.5	15.5	0.37	0.28	0.39	0.31
North Central	79.1	20.9	79.8	20.2	0.42	0.27	0.44	0.28
South Central	73.3	26.7	74.8	25.2	0.37	0.23	0.37	0.23
West	79.8	20.2	81.1	18.9	0.40	0.26	0.40	0.26
SALES PER MONTH:								
Under $28336.	93.3	6.7	92.4	7.6	$ 0.40	$ 0.35	$ 0.41	$ 0.33
$28336. TO $56483.	90.8	9.2	92.0	8.0	0.37	0.27	0.37	0.28
$56483. TO $97527.	86.6	13.4	87.4	12.6	0.38	0.27	0.37	0.26
Over $97527.	77.4	22.6	78.3	21.7	0.40	0.26	0.41	0.27
NUMBER OF SEATS:								
Under 100	78.8	21.2	79.6	20.4	$ 0.35	$ 0.24	$ 0.37	$ 0.24
100 TO 160	92.9	7.1	93.6	6.4	0.36	0.28	0.35	0.29
160 TO 304	81.6	18.4	82.1	17.9	0.39	0.28	0.39	0.28
Over 304	79.1	20.9	80.5	19.5	0.42	0.26	0.42	0.27
TYPE:								
Cafeteria	100.0	*	100.0	*	$ 0.37	$ *	$ 0.29	$ *
Coffee Shop	99.7	*	99.3	*	0.33	*	0.33	*
Full Menu:								
Tableservice	79.0	21.0	80.0	20.0	$ 0.41	$ 0.27	$ 0.42	$ 0.28
Limited Menu:								
Tableservice	86.9	13.1	89.0	11.0	0.37	0.28	0.39	0.27
No Tableservice	72.3	*	73.2	*	0.34	*	0.36	*
Other	85.6	*	89.3	*	0.34	*	0.35	*

* INSUFFICIENT RESPONSE

PAYROLL AND EMPLOYEE REPORT JUNE 1981 COMPARED WITH JUNE 1980

	SALES PER FTE EMP		PAYROLL PER FTE EMP		COVERS PER FTE EMP		TOTAL SALES PER PAYROLL DOLLAR	
	JUN 81	JUN 80	JUN 81	JUN 80	JUN 81	JUN 80	JUN 81	JUN 80
TOTAL	$ 2234.93	$ 2070.63	$ 656.93	$ 631.97	387.6	386.1	$ 3.46	$ 3.32
AFFILIATION:								
Single Unit	$ 2450.11	$ 2261.19	$ 765.59	$ 752.71	287.6	294.1	$ 3.35	$ 3.16
Multi-Unit:								
Company-Owned	2828.85	2661.83	666.17	740.01	966.3	922.8	4.25	3.60
Franchised	2066.05	1916.48	601.52	562.04	379.8	373.8	3.45	3.40
AREA:								
Northeast	$ 1836.43	$ 1713.93	$ 561.49	$ 555.15	384.6	369.9	$ 3.25	$ 3.07
Southeast	2063.71	1916.65	571.07	513.79	326.1	348.0	3.65	3.63
North Central	2413.24	2153.91	708.98	659.29	399.1	387.4	3.39	3.26
South Central	2387.73	2263.64	654.60	651.36	602.1	579.0	3.78	3.59
West	2570.96	2464.17	785.26	792.63	295.6	305.1	3.47	3.29
SALES PER MONTH:								
Under $28336.	$ 1858.45	$ 1709.33	$ 553.19	$ 487.73	499.9	518.3	$ 3.60	$ 3.73
$28336. TO $56483.	1938.55	1881.87	590.34	592.42	405.8	399.8	3.28	3.19
$56483. TO $97527.	1976.48	1901.58	620.74	596.45	314.9	319.1	3.16	3.14
Over $97527.	2563.27	2292.54	718.39	686.18	396.5	389.5	3.66	3.41
NUMBER OR SEATS:								
Under 100	$ 2481.76	$ 2236.92	$ 631.39	$ 647.26	723.2	697.8	$ 3.89	$ 3.47
100 TO 160	1770.08	1662.66	516.36	491.67	363.2	359.1	3.41	3.35
160 TO 304	2194.60	2031.57	666.61	632.39	318.3	319.5	3.53	3.39
Over 304	2474.51	2291.56	744.00	711.13	335.7	336.8	3.33	3.22
TYPE:								
Cafeteria	$ 2534.96	$ 1782.09	$ *	$ *	831.6	713.6	$ *	$ *
Coffee Shop	1722.26	1637.39	500.34	480.89	*	*	3.42	3.38
Full Menu:								
Tableservice	$ 2281.42	$ 2103.42	$ 694.79	$ 661.07	305.9	309.6	$ 3.37	$ 3.24
Limited Menu:								
Tableservice	2240.98	2096.42	661.48	660.72	403.6	399.2	3.44	3.25
No Tableservice	3038.32	2799.25	697.62	782.68	1084.9	1040.4	4.32	3.61
Other	2716.71	2900.12	784.42	785.39	*	*	3.46	3.69

* INSUFFICIENT RESPONSE

PROFIT PLANNING
A SYSTEMATIC APPROACH TO OPERATIONAL BUDGETING

By Robert C. Massey

Budgeting is a management tool to provide answers to three basic questions:

1. How are we doing?
2. Where are we headed?
3. Where would we like to be heading?

The basic planning and control tool used by management in answering these questions is the operating budget, usually defined as projections of revenue and expenses resulting in profit or loss. The individual user's needs, however, should dictate what the operating budget actually includes. For example, in chain operations, the budget provides corporate management with a projection of the financial results that are to be obtained at the unit level; that being the hotel/motel or restaurant. In this manner, agreements can be reached on the unit financial goals for the upcoming budgeted period. By causing the local unit and the corporate office to come to agreement on their unit financial goals, the budget process provides both users a common reference instrument for monitoring and controlling profits over a given period.

Budgeting provides the basis for many planning activities: cash receipts and disbursements, capital expenditures, renovation projects, return on investment, management staffing levels and others.

ESTABLISH A PURPOSE

Unless an organization is profitable, it cannot continue to stay afloat. There is no substitute for an intelligent, well-conceived budgeting system. This applies to operations of any size, be it one hotel/motel or restaurant or a chain operation. A continuous effort must be made to chart the organization's future course.

Management cannot leave the future to chance or to day-to-day decisions. With no set directions, managers are apt to make hasty decisions in solving unanticipated problems. Because they are not carefully thought out, these decisions can sometimes have devastating results.

Nevertheless, many managers have only vague ideas regarding their programs and the best course of action to take in order to maintain or increase profitability. If managers are uncertain of their goals, subordinate employees are certainly unaware of what management is trying to accomplish. Therefore, management tends to run its operation on a day-to-day basis, uncertain of the overall goals.

TEAMWORK AND COMMUNICATION

The budgeting process should be participative rather than imposed. Those employees affected should actively participate in the formulation of the budget. An effective profit planning program cannot be accomplished without the involvement

and the coordination of both line and staff management. Line management should be willing to have staff management and employees contribute to the specific planning and strategies that will ultimately achieve set budgeted goals. Operators who fail to maximize talent, ideas and suggestions are bound to experience loss, both in terms of the potential that goes untapped, and in terms of the wealth in value of such participation which molds future top executives. Additionally, these contributions meet a basic human requirement: the need for recognition and participation.

With this in mind, we will now discuss the actual budgeting process. How do we begin? What should budgets contain? What knowledge of the market should they reflect?

OUTLINE YOUR BUDGETING ASSUMPTIONS

Before the actual budget is prepared, market and economic factors should be considered primarily on a local basis and secondarily on a national overview. Questions you might ask youself are:

- What new competitors will be coming into the local market during the budget period?
- Where do we stand in relation to our competitors in terms of price/value?
- Where is the industry headed nationally and what is the position of the local market?
- What cost increases will we incur in key areas such as wages, material costs, utilities, and supplies?
- What is the national economic forecast on inflation and how will it effect our region, more specifically, our local market?

Answering these questions will help prepare local property management to accomplish the following budgeting tasks:

- Designing the operating action plan.
- Designing the marketing action plan.
- Basing the budget details on researched material.

The operating action plan should outline how business will be managed over the budgeted period. For example:

- Hours of operation
- Changes in guest amenities
- Pricing philosophy
- Levels of management staffing
- Any physical or capital investment projects
- Any changes in policies or procedures

The marketing action plan should focus on all revenue producing areas. It should also characterize each market segment and discuss how the individual operating unit intends to penetrate each segment. Additionally, the plan should assign a sales representative with specific responsibility for certain segments of the market. Then, throughout the year, individual performance should be evaluated against budgeted quotas.

BUDGET DETAIL

After the users have been defined, a time frame set, the affected employees involved, assumptions formulated, and the general action plans set, you can pursue the budget detail. In a multi-departmental operation each department will have its own budgeted revenues and expenses. Each department's statement should then be summarized on a consolidated profit and loss statement for the entire operation. Individual department budgets will be very similar in format depending on whether they are revenue or cost centers.

BUDGET INTERNAL REVIEW

After the budgets are produced, summarized and consolidated, unit management should review the operating and marketing action plans, income and expense projections and discuss budget contents with the appropriate department heads. The reviewer should insure that all of the assumptions used are logical, and that they agree with the overall plans drawn at the beginning of the budgeting process. After the budgets have been reviewed, the final presentation is submitted to the corporate executive management and/or owners for final approval.

IMPLEMENTATION

Prior to the beginning of the budgeted period, the budgets should be separated into relevant time frames; i.e. weekly, monthly, or quarterly. After the budgeted period is underway, comparisons should be made periodically between actual and budgeted results, investigating all notable variances.

PERFORMANCE EVALUATION

Operational budgeting provides the most reliable tool available to evaluate results against standards. Through it, any operation can determine whether its profit plans are on course. If they are not, it can help pinpoint where to begin looking for solutions.

Performance evaluation includes employee productivity and sales and cost variances. The analysis may reveal that the sales mix that was planned for never materialized or that labor costs are excessively high due to ineffective scheduling. It is in effect, a final check and an effective tool to direct profitability.

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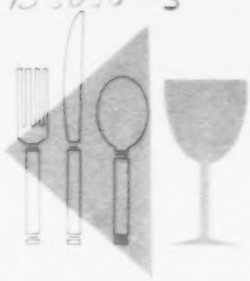

National Trend of Business in the Restaurant Industry

VOLUME II, NUMBER 7 JULY, 1981

This month's feature article is "A Systems Approach to Labor Cost Control" by Robert Massey, a consultant in Laventhol & Horwath's Houston office, specializing in food and beverage operations. The concept behind the system discussed in this article is to combine predictions of activity levels with man hour budgeting. The article elaborates upon the five key elements in the system: weekly activity forecasts, manpower requirement guidelines, department budgeted man hours, weekly work schedules and performance comparison reports.

A total average receipt per cover of $7.03 was reported in July 1981, which increased 10.7 percent over the figure reported in July 1980. According to our Trend, this has been the highest monthly increase in the average check over the prior year since the Trend was first published in January 1981. The North Central area reported the highest average check at $9.41, followed by $8.68 reported by restaurants in the West. Southeastern properties' average receipt rose 13.3 percent over last year to $5.90.

As with last month, total food and beverage sales rose at a quicker pace than total food and beverage costs in July 1981 when compared with last year -- 11.4 percent and 9.7 percent respectively. If restaurateurs succeed in keeping their controllable and fixed expenses in line, it is possible that they may experience increases in their profit margins during this uncertain year. South Central and Western properties reported higher increases in total food and beverage costs than in total food and beverage sales.

Based on our sample, total payroll costs for July 1981 increased 9.7 percent when compared with July 1980. Both categories -- covers per full-time-equivalent and total sales per payroll dollar reflected slight increases over last year, 2.2 percent and 1.8 percent respectively.

Total food cost per dollar of sale remained unchanged at $.38 while total beverage cost per dollar of sale decreased marginally when compared to July 1980. The highest food cost per dollar of sale was reported by limited menu with tableservice operations, while the highest beverage cost was evident in the lowest sales volume category.

Year-to-date results show a $7.54 total average receipt per cover, the highest of which was reported by Western properties -- $8.89. Total payroll costs for the whole sample increased 6.4 percent over the same period in 1980, with the highest increase reported by limited menu, no tableservice establishments at 15.4 percent.

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